

Message Text

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PAGE 01 NEW DE 04919 301353Z

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SUBJECT: FERNANDES DISCUSSES THE NEW INDUSTRIAL POLICY

REF: 77 NEW DELHI 18535

1. SUMMARY. IN A LONG STATEMENT TO THE LOK SABHA ON MARCH 29, INDUSTRY MINISTER FERNANDES SAID THAT DISTRICT INDUSTRIES CENTERS WILL

BE ESTABLISHED IN EACH OF THE COUNTRY'S 460 DISTRICTS BY THE END OF 1979

TO PROMOTE INDUSTRIAL DEVELOPMENT IN RURAL AREAS. HE PROMISED ADDITIONAL HELP TO SMALL SCALE UNITS. HE STATED THAT LARGE INDUSTRIAL FIRMS

STILL HAD A VERY SIGNIFICANT ROLE TO PLAY IN INDIA. HE DEFENDED THE GOVERNMENT'S DECISION TO TREAT FOREIGN FIRMS WITH 40 PERCENT FOREIGN EQUITY ON A PAR WITH INDIAN COMPANIES AND SAID THIS WAS THE PRICE THE

COUNTRY HAD TO PAY FOR OBTAINING TECHNOLOGY. FERNANDES' STATEMENT REPRESENTS A STEP IN THE RIGHT DIRECTION IN ATTEMPTING TO CARRY OUT THE

GOVERNMENT'S POLICY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 04919 301353Z

MENT'S ECONOMIC PRIORITIES, BUT IT IS STILL UNCLEAR HOW SUCCESSFULLY THE

JANATA'S INDUSTRIAL POLICY WILL BE CARRIED OUT AND HOW IT WILL AFFECT PRODUCTION STANDARDS, COSTS, LABOR PRODUCTIVITY AND THE ROLES OF THE CENTER AND STATES IN PROMOTING INDUSTRIAL DEVELOPMENT. END SUMMARY.

2. SMALL SCALE SECTOR. FERNANDES NOTED THAT THE NEW INDUSTRIAL

POLICY, WHICH PLACES MORE EMPHASIS ON SMALL SCALE UNITS, HAS BEEN UNANIMOUSLY ACCEPTED BY THE STATE GOVERNMENTS. HE SAID THAT DISTRICT INDUSTRIES CENTERS WILL BE ESTABLISHED IN EACH OF THE 460 DISTRICTS IN THE COUNTRY BY THE END OF NEXT YEAR. THESE DISTRICTS WILL

PROVIDE SERVICES AND INPUTS TO PROMOTE INDUSTRIAL DEVELOPMENT IN RURAL AREAS, BUT FERNANDES WARNED THAT IMPLEMENTING THE PROGRAM (FINDING THE RIGHT PEOPLE, GETTING INPUTS) WOULD TAKE SOME TIME. HE EMPHASIZED THAT THE STATE GOVERNMENTS WOULD RUN THE DISTRICT CENTERS, BUT THE CENTER WOULD PAY FOR THEM AND PROVIDE EXPERTISE.

3. FERNANDES REPORTEDLY STATED THAT QUOTE NO INDUSTRY IN THE SMALL SCALE, COTTAGE OR VILLAGE SECTOR WOULD BE ALLOWED TO SUFFER OR LAG BEHIND FOR WANT OF MONEY UNQUOTE. HE SAID THAT MORE LOANS AND GRANTS WILL BE PROVIDED TO THE KHADI AND VILLAGE INDUSTRIES COMMISSION

IN 1978-79. ALSO, RS 100 MILLION IN INTEREST SUBSIDIES WILL BE AVAILABLE TO ALL KHADI AND VILLAGE INDUSTRY INSTITUTIONS.

4. TEXTILES. FERNANDES REITERATED THAT ADDITIONAL TEXTILE LOOM CAPACITY WILL HENCEFORTH BE ALLOTTED ONLY TO THE HANDLOOM SECTOR. HE CLAIMED THAT THE NATIONAL TEXTILE CORPORATION (RESPONSIBLE FOR 105 SICK MILLS) WAS GRADUALLY IMPROVING ITS PERFORMANCE. IN DECEMBER 1977 42 MILLS WERE SHOWING A PROFIT, COMPARED TO ONLY 18 IN DECEMBER 1976. HE HOPED THAT THE CORPORATION WOULD BE IN THE BLACK WITHIN 1-2 YEARS. HE PROMISED THAT AN INTEGRATED TEXTILE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 NEW DE 04919 301353Z

POLICY WOULD BE PRESENTED TO THE PARLIAMENT BEFORE THE END OF ITS PRESENT SESSION. HE SAID THAT A GOVERNMENT POLICY ON SICK INDUSTRIAL UNITS IN GENERAL WOULD ALSO BE FORTHCOMING.

5. LARGE FIRMS. FERNANDES SAID THAT QUOTE WHATEVER MAY BE OUR OWN IDEOLOGIES AND POLITICAL CONVICTIONS, WE BELIEVE THAT LARGE INDUSTRIES HAVE A VERY SIGNIFICANT ROLE TO PLAY IN THE ECONOMIC DEVELOPMENT OF THE COUNTRY UNQUOTE. HE POINTED OUT THAT ABOUT 70 PERCENT OF LARGE FIRMS WERE RELATED TO RURAL AREA DEVELOPMENT. HE WARNED, HOWEVER, THAT BIG INDUSTRY SHOULD BEHAVE ITSELF. HE ALSO CRITICIZED LARGE FIRMS FOR ALWAYS WANTING INCENTIVES AND FOR GIVING VERY HIGH SALARIES AND PERKS TO CHIEF EXECUTIVES OF PRIVATE SECTOR COMPANIES.

6. FOREIGN FIRMS. FERNANDES DEFENDED THE GOVERNMENT'S POLICY OF ALLOWING FOREIGN FIRMS WITH 40 PERCENT FOREIGN EQUITY TO BE TREATED ON A PAR WITH INDIAN COMPANIES. THESE FOREIGN FIRMS, HE SAID, WERE PROVIDING NEEDED TECHNOLOGY, AND 40 PERCENT EQUITY WAS QUOTE A PRICE THE COUNTRY HAD TO PAY TO THEM AND THIS PRICE WE SHOULD NOT GRUDGE UNQUOTE. HE SAID THAT IF IT IS NECESSARY TO LIVE WITH MULTINATIONALS, ONE SHOULD NOT CRITICIZE THEM ALL THE TIME. HE ADDED THAT NO INDUSTRIAL COMPANY, WHETHER DOMESTIC OR

FOREIGN WAS IN A POSITION TO INFLUENCE THE GOVERNMENT, WHICH WAS
ABLE TO TAKE CARE OF INDIA'S NATIONAL INTEREST.

7. COMMENT. FERNANDES LONG EXPOSITION OF NEARLY TWO HOURS
FLESHED OUT SOME OF THE BARE BONES OF THE INDUSTRIAL POLICY STATEMENT
INTRODUCED LAST DECEMBER (REFTEL), AND REPRESENTS A FURTHER STEP IN
ATEMPTING TO CARRY OUT THE JANATA PARTY'S ECONOMIC PRIORITIES.
HOWEVER,
THERE REMAINS A GREAT DEAL OF SKEPTICISM, PARTICULARLY IN LOCAL
BUSINESS CIRCLES, REGARDING THE GOVERNMENT'S ABILITY TO IMPLEMENT
EFFECTIVELY A SHIFT IN INDUSTRIAL POLICY TOWARD THE EXPANSION OF
"TINNY"

AND SMALL-SCALE SECTORS. THE GOI IS EVIDENTLY DETERMINED TO ESTABLISH
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PAGE 04 NEW DE 04919 301353Z

DISTRICT CENTERS TO SERVICE INDUSTRIES IN RURAL AREAS, BUT THE ORGAN-
IZATIONAL
DIFFICULTIES IN PROVIDING INPUTS ARE FORMIDABLE. ALSO, IT APPEARS

CLEAR THAT THE CENTER GOVERNMENT WILL PLAY A LARGER ROLE (BY PROVIDING

FUNDS TO CENTERS) IN INDUSTRIAL DEVELOPMENT ON THE DISTRICT LEVEL,
DESPITE GOI PROFESSIONS OF GREATER ECONOMIC DECENTRALIZATION. EVEN
IF THE NEW INDUSTRIAL POLICY IS IMPLEMENTED, THE EMPHASIS ON SMALL
SCALE UNITS MAY HAVE AN ADVERSE IMPACT ON PRODUCT STANDARDS, PRODUCTION

COSTS AND LABOR PRODUCTIVITY.
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